

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Vassar	County Tuscola
Audit Date 6-30-05	Opinion Date 7-13-05	Date Accountant Report Submitted to State: 12-14-05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.			
Street Address 715 E. FRANK ST.	City CARO	State MI	ZIP 48723
Accountant Signature <i>Gary R. Anderson</i>			

TOWNSHIP OF VASSAR
Tuscola County, Michigan

Report on Financial Statements
(with additional information)
June 30, 2005

TOWNSHIP OF VASSAR

PAGE NUMBER

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ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
Certified Public Accountants



Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
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Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

July 13, 2005

REPORT OF INDEPENDENT AUDITORS

Members of the Township Board
Township of Vassar
Tuscola County, Michigan

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Township of Vassar as of June 30, 2005 and for the year then ended, as listed in the Table of Contents, which collectively comprise the Township of Vassar's basic financial statements required by the accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Township of Vassar management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in the financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Township of Vassar's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Vassar, as of June 30, 2005, or changes in its financial position for the year then ended.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental financial information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Township of Vassar. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
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GENERAL PURPOSE FINANCIAL STATEMENTS

TOWNSHIP OF VASSAR
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2005

	GOVERNMENTAL FUND TYPE		FIDUCIARY FUND TYPE
	GENERAL	SPECIAL REVENUE	TRUST AND AGENCY
<u>ASSETS</u>			
Cash in Bank	\$ 407,007	\$ 168,449	\$ 3,602
Accounts Receivable	46,773		
Due from Other Funds	2,762		
Land			
Buildings			
Equipment			
<u>TOTAL ASSETS</u>	<u>\$ 456,542</u>	<u>\$ 168,449</u>	<u>\$ 3,602</u>
<u>LIABILITIES & FUND EQUITY</u>			
Liabilities:			
Accounts Payable	\$ 3,972	\$ 11,663	
Accrued Payroll Taxes	1,118		
Due to Other Funds			\$ 2,762
Due to Other Governmental Units			840
Total Liabilities	5,090	11,663	3,602
Fund Equity:			
Investment in General Fixed Assets			
Fund Balances:			
Unreserved:			
Undesignated	300,108		
Designated	151,344	\$ 156,786	
Total Fund Equity	451,452	156,786	-
<u>TOTAL LIABILITIES & FUND EQUITY</u>	<u>\$ 456,542</u>	<u>\$ 168,449</u>	<u>\$ 3,602</u>

The accompanying notes are an integral part of the financial statements.

ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY) PRIMARY GOVERNMENT	
	JUNE 30, 2005	JUNE 30, 2004
GENERAL FIXED ASSETS		
	\$ 579,058	\$ 501,464
	46,773	60,613
	2,762	2,111
\$ 37,686	37,686	37,686
68,244	68,244	68,244
57,340	57,340	52,630
\$ 163,270	\$ 791,863	\$ 722,748
	\$ 15,635	\$ 4,025
	1,118	772
	2,762	2,111
	840	3,143
-	20,355	10,051
\$ 163,270	163,270	158,560
	300,108	440,003
	308,130	114,134
163,270	771,508	712,697
\$ 163,270	\$ 791,863	\$ 722,748

TOWNSHIP OF VASSAR

Combined Statement of Revenues, Expenditures and Changes In Fund Balances - All Governmental Fund Types For the Year Ended June 30, 2005

			TOTALS (MEMORANDUM ONLY) PRIMARY GOVERNMENT	
	GENERAL	SPECIAL REVENUE	JUNE 30, 2005	JUNE 30, 2004
REVENUES:				
Property taxes	\$ 74,988		\$ 74,988	\$ 71,513
Trailer park fees	646		646	3,144
Licenses & permits	3,250		3,250	3,255
Vassar Township Agg. Royalties	36,198		36,198	54,705
State revenue sharing	318,938		318,938	381,083
Charges for services:				
Property tax administration	15,413		15,413	14,304
Fire protection	-		-	1,500
Interest	3,496	\$ 1,984	5,480	3,131
Special assessment - refuse		138,251	138,251	138,067
TOTAL REVENUES	452,929	140,235	593,164	670,702
EXPENDITURES:				
Legislative:				
Township Board	12,805		12,805	11,498
General Government:				
Supervisor	8,740		8,740	9,046
Elections	1,968		1,968	668
Assessor	32,885		32,885	18,953
Professional services	19,453		19,453	10,468
Clerk	11,292		11,292	11,060
Board of Review	980		980	780
Treasurer	11,003		11,003	11,715
Township Hall	12,312		12,312	11,974
Public Safety:				
Police protection	64,056		64,056	57,954
Fire protection	62,070		62,070	41,529
Ambulance	35,288		35,288	35,288
Public Works:				
Highways & streets	113,922		113,922	216,196
Drains at Large	322		322	-
Sanitation	-	125,728	125,728	129,686
Planning & zoning	8,967		8,967	9,529
Cemetery	100		100	100

TOWNSHIP OF VASSAR
Combined Statement of Revenues, Expenditures and Changes
In Fund Balances - All Governmental Fund Types
For the Year Ended June 30, 2005

			TOTALS	
			(MEMORANDUM ONLY)	
			PRIMARY GOVERNMENT	
			JUNE 30,	JUNE 30,
	GENERAL	SPECIAL	2005	2004
		REVENUE		
EXPENDITURES, (Continued):				
Recreation & Culture:				
Parks & recreation	\$ 1,900		\$ 1,900	\$ 1,820
Other Functions:				
Payroll taxes	4,846		4,846	4,299
Insurance	7,855		7,855	7,141
Tuscola County EDC	-		-	1,500
Miscellaneous	2,571		2,571	400
TOTAL EXPENDITURES	413,335	\$ 125,728	539,063	591,604
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	39,594	14,507	54,101	79,098
FUND BALANCE - JULY 1	411,858	142,279	554,137	475,039
FUND BALANCE - JUNE 30	\$ 451,452	\$ 156,786	\$ 608,238	\$ 554,137

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF VASSAR
Combined Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget & Actual -
General and Special Revenue Funds
For the Year Ended June 30, 2005

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:			
Property taxes	\$ 64,000	\$ 74,988	\$ 10,988
Trailer park fees	2,000	646	(1,354)
Licenses & permits	3,100	3,250	150
Vassar Township Agg. Royalties		36,198	36,198
State revenue sharing	322,504	318,938	(3,566)
Charges for services:			
Property tax administration	15,000	15,413	413
Fire protection	3,500	-	(3,500)
Interest	2,000	3,496	1,496
Special assessment - refuse			-
TOTAL REVENUES	412,104	452,929	40,825
EXPENDITURES:			
Legislative:			
Township Board	14,850	12,805	2,045
General Government:			
Supervisor	9,290	8,740	550
Elections	4,700	1,968	2,732
Assessor	32,903	32,885	18
Professional services	20,153	19,453	700
Clerk	14,700	11,292	3,408
Board of Review	1,120	980	140
Treasurer	12,380	11,003	1,377
Township Hall	27,600	12,312	15,288
Public Safety:			
Police protection	72,500	64,056	8,444
Fire protection	63,970	62,070	1,900
Ambulance	40,480	35,288	5,192
Public Works:			
Highways & streets	190,499	113,922	76,577
Drains at large	322	322	-
Sanitation	-	-	-
Planning & zoning	15,550	8,967	6,583
Cemetery	200	100	100

SPECIAL REVENUE FUNDS			TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
		-	\$ 64,000	\$ 74,988	\$ 10,988
		-	2,000	646	(1,354)
		-	3,100	3,250	150
		-	-	36,198	36,198
		-	322,504	318,938	(3,566)
		-	15,000	15,413	413
		-	3,500	-	(3,500)
	\$ 1,984	\$ 1,984	2,000	5,480	3,480
\$ 138,251	138,251	-	138,251	138,251	-
138,251	140,235	1,984	550,355	593,164	42,809
		-	14,850	12,805	2,045
		-	9,290	8,740	550
		-	4,700	1,968	2,732
		-	32,903	32,885	18
		-	20,153	19,453	700
		-	14,700	11,292	3,408
		-	1,120	980	140
		-	12,380	11,003	1,377
		-	27,600	12,312	15,288
		-	72,500	64,056	8,444
		-	63,970	62,070	1,900
		-	40,480	35,288	5,192
		-	190,499	113,922	76,577
		-	322	322	-
138,251	125,728	12,523	138,251	125,728	12,523
		-	15,550	8,967	6,583
		-	200	100	100

TOWNSHIP OF VASSAR
Combined Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget & Actual -
General and Special Revenue Funds
For the Year Ended June 30, 2005

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
EXPENDITURES, (Continued):			
Recreation & Culture:			
Parks & recreation	\$ 1,980	\$ 1,900	\$ 80
Other Functions:			
Payroll taxes	5,500	4,846	654
Insurance	7,953	7,855	98
Tuscola County EDC	1,500	-	1,500
Miscellaneous	3,700	2,571	1,129
TOTAL EXPENDITURES	541,850	413,335	128,515
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(129,746)	39,594	169,340
FUND BALANCE - JULY 1	411,858	411,858	-
FUND BALANCE - JUNE 30	\$ 282,112	\$ 451,452	\$ 169,340

The accompanying notes are an integral part of these financial statements.

SPECIAL REVENUE FUNDS			TOTALS (MEMORANDUM ONLY)		
<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
		-	\$ 1,980	\$ 1,900	\$ 80
		-	5,500	4,846	654
		-	7,953	7,855	98
		-	1,500	-	1,500
		-	3,700	2,571	1,129
<u>\$ 138,251</u>	<u>\$ 125,728</u>	<u>\$ 12,523</u>	<u>680,101</u>	<u>539,063</u>	<u>141,038</u>
<u>-</u>	<u>14,507</u>	<u>14,507</u>	<u>(129,746)</u>	<u>54,101</u>	<u>183,847</u>
<u>142,279</u>	<u>142,279</u>	<u>-</u>	<u>554,137</u>	<u>554,137</u>	<u>-</u>
<u><u>\$ 142,279</u></u>	<u><u>\$ 156,786</u></u>	<u><u>\$ 14,507</u></u>	<u><u>\$ 424,391</u></u>	<u><u>\$ 608,238</u></u>	<u><u>\$ 183,847</u></u>

TOWNSHIP OF VASSAR, TUSCOLA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF TOWNSHIP OPERATIONS & FUND TYPES:

The Township of Vassar, Tuscola County, Michigan covers an area of approximately 36 square miles within Tuscola County. The Township operates under an elected Board of Trustees (5 members) and provides services to its more than 3,800 residents in many areas including law enforcement, administration of justice, community enrichment, development and human services.

The financial statements of the Township of Vassar have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township chose not to adopt GASB 34, which is required by GAAP. This departure from GAAP is also noted in the audit report letter. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY:

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, the Financial Reporting Entity.

Based upon the application of these criteria, the general purpose financial statements of the Township of Vassar contain all the funds and account groups controlled by the Township's Board of Trustees as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the Township nor is the Township a component unit of another entity.

B. FUND ACCOUNTING:

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into two categories: governmental and fiduciary. Each category, in turn, is divided into separate "fund types".

GOVERNMENTAL FUNDS - are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital project funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other funds.

FIDUCIARY FUNDS - are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government.

TOWNSHIP OF VASSAR, TUSCOLA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

B. FUND ACCOUNTING, (Continued):

ACCOUNT GROUPS – are used to account for fixed assets and long-term liabilities which are not reported in the respective governmental funds.

C. BASIS OF ACCOUNTING:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increase (i.e. revenues and other financing sources) and decrease (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used to revenue recognition for all other governmental fund revenues susceptible to accrual. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are property taxes, federal and state grants, special assessments, licenses, interest revenue and charges for services. Fines, permits and sales tax and other state revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The government reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise the resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D. BUDGETS AND BUDGETARY ACCOUNTING:

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Township does not utilize encumbrance accounting.

TOWNSHIP OF VASSAR, TUSCOLA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

E. CASH AND EQUIVALENTS:

Cash includes amounts in petty cash and demand deposits. Investments included instruments allowed by state statute subsequently described. Investments are carried at fair market value.

State statutes authorized the Township to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase and not totaling more than 40% of any fund at any time. The Township is also authorized to invest in U.S. Government of federal agency obligation repurchase agreements, bankers' acceptance of U.S. banks, and mutual funds composed of investments as outlined above.

F. RECEIVABLES:

Receivables consist primarily of amounts for taxes and customers charges. No allowance for doubtful accounts is considered necessary and credit risk is minimal because of the large number of customers and the authority of the Township to add receivables to the tax rolls, which are secured by the underlying property.

G. FIXED ASSETS:

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued to cost where historical records are available and at an estimated historical cost where no historical record exist. Donated fixed assets are valued at their estimated fair market value on the date received. Fixed assets purchased within the proprietary funds and the non-expendable trust fund are reported as assets within those funds and accordingly, are included on their balance sheet.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. Primarily because of this policy, total expenditures for capital improvements in the governmental funds do not equal total additions to the general fixed assets account group.

TOWNSHIP OF VASSAR, TUSCOLA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

H. ACCUMULATED UNPAID BENEFITS:

Employees are not allowed to accumulate vacation and sick pay and therefore, no amount has been shown in the General Long-Term Debt Group of Accounts in accordance with Governmental Accounting Standards Board's Statement No. 16 "Accounting for Compensated Absences."

I. FUND EQUITY:

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

J. INTERFUND TRANSACTIONS:

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-reoccurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

K. MEMORANDUM ONLY - TOTAL COLUMNS:

The total columns on the combined statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. Prior year memorandum total amounts have been updated for comparative purpose.

L. ESTIMATES:

The preparation of financial statements in conformity with the U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TOWNSHIP OF VASSAR, TUSCOLA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 2 - PROPERTY TAX REVENUE:

Property taxes become an enforceable lien on the property as of December 1. Taxes are levied on December 1 and are due in February of the following year. The Township bills and collects its own property taxes and also taxes for the county, intermediate school district and school districts. All tax collections are accounted for in the tax collection fund, an agency fund. Township tax revenues are recognized in the fiscal year that includes the December 1 levy date. The Township levied a general millage of 1.0785 mills on a taxable value of \$68,447,626.

The Township participates in the Tuscola County Delinquent Tax Fund that purchases all of the uncollected property tax of the Township each year. Settlement with the County for all uncollected taxes is received by the Township.

NOTE 3 – INVESTMENT IN GENERAL FIXED ASSETS:

The general fixed assets of the Township consist of the following:

	<u>BALANCE</u> <u>JULY 1,</u> <u>2004</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30,</u> <u>2005</u>
Land	\$ 37,686			\$ 37,686
Buildings	68,244			68,244
Equipment	<u>52,630</u>	<u>\$4,710</u>	<u>NONE</u>	<u>57,340</u>
Total	<u>\$158,560</u>	<u>\$4,710</u>	<u>NONE</u>	<u>\$163,270</u>

NOTE 4 – DEPOSITS AND INVESTMENTS:

As of June 30, 2005, the Township had no investments.

Interest rate risk. In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

TOWNSHIP OF VASSAR, TUSCOLA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 4 – DEPOSITS AND INVESTMENTS, (Continued):

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of June 30, 2005, \$208,808 of the Township's bank balance of \$608,808 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk.

The Township's cash and cash equivalents at June 30, 2005 are composed of the following:

	<u>CASH AND CASH EQUIVALENTS</u>
General Fund:	
Deposits	\$407,007
Other Funds:	
Deposits	<u>172,051</u>
Total Deposits:	<u>\$579,058</u>

NOTE 5 – EMPLOYEE BENEFITS:

The Township pays no employee benefits. The Township also does not provide any post-employment benefits to retirees.

NOTE 6 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance to cover any losses that may result from the above-described activities. For insured programs, there has been no significant reduction in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 7 - LEGAL COMPLIANCE - BUDGETS:

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. On or prior to July 1 of each year, a proposed budget is submitted to the Board of Trustees for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayers comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.

TOWNSHIP OF VASSAR, TUSCOLA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 7 - LEGAL COMPLIANCE – BUDGETS, (Continued):

4. Any revisions of the budget must be approved by the Board of Trustees.
5. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds.
6. Budgets for general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.

NOTE 8 – DUE TO AND FROM OTHER FUNDS:

Due to and from other funds balances at June 30, 2005 are as follows:

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
General Fund	\$2,762	
Current Tax Collection Fund		\$2,762
TOTAL	<u>\$2,762</u>	<u>\$2,762</u>

NOTE 9 – PENSION PLAN:

The Township has no pension plan.

NOTE 10 – DESIGNATED FUND BALANCE:

The fund balance in the General Fund has been designated by the Board for the purpose of recreation or new hall construction in the amount of \$151,344.

NOTE 11 – FIRE TRUCK:

On June 14, 2005, Vassar Township entered into an agreement with the City of Vassar to pay \$74,247 for the cost of a new fire truck for the City of Vassar. The interest rate is 4.75%. The annual payment amount is \$17,031 for principal and interest. The Township made the first payment in March 2005. Four future annual installments should be made on October 1, 2005, 2006, 2007, and 2008.

SUPPLEMENTAL INFORMATION

TOWNSHIP OF VASSAR
Schedule of General Fund Expenditures
Year Ended June 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
Township Board:			
Salaries	\$ 3,050	\$ 3,050	\$ -
Operating supplies	600	562	38
Notices	2,500	2,036	464
Memberships & dues	3,000	2,459	541
Miscellaneous	5,700	4,698	1,002
Total Township Board	<u>14,850</u>	<u>12,805</u>	<u>2,045</u>
Supervisor:			
Salary	8,540	8,540	-
Supplies	300	-	300
Mileage	250	-	250
Telephone	200	200	-
Total Supervisor	<u>9,290</u>	<u>8,740</u>	<u>550</u>
Elections:			
Wages	2,500	1,390	1,110
Operating expenses	2,200	578	1,622
Total Elections	<u>4,700</u>	<u>1,968</u>	<u>2,732</u>
Assessor:			
Salary	30,153	30,153	-
Operating supplies	2,300	2,732	(432)
Telephone	250	-	250
Mileage	200	-	200
Total Assessor	<u>32,903</u>	<u>32,885</u>	<u>18</u>
Professional Services:			
Accounting	3,000	2,300	700
Attorney	17,153	17,153	-
Total Professional Services	<u>20,153</u>	<u>19,453</u>	<u>700</u>
Clerk:			
Salary	10,200	10,200	-
Salary - deputy	2,500	117	2,383
Operating supplies	1,500	868	632
Telephone	50	-	50
Mileage	450	107	343
Total Clerk	<u>14,700</u>	<u>11,292</u>	<u>3,408</u>

TOWNSHIP OF VASSAR
Schedule of General Fund Expenditures
Year Ended June 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
(Continued)			
Board of Review:			
Per diem	\$ 1,120	\$ 980	\$ 140
Treasurer:			
Salary	10,200	9,633	567
Salary - deputy	1,000	616	384
Operating supplies	1,000	673	327
Mileage	150	51	99
Miscellaneous	30	30	-
Total Treasurer	12,380	11,003	1,377
Township Hall:			
Supplies	600	221	379
Utilities	4,000	3,355	645
Capital Outlay	10,000	2,848	7,152
Renovations	8,000	4,710	3,290
Repairs & maintenance	5,000	1,178	3,822
Total Township Hall	27,600	12,312	15,288
Police Protection:			
Miscellaneous	500	500	-
Contracted services	72,000	63,556	8,444
Total Police Protection	72,500	64,056	8,444
Fire Protection:			
Miscellaneous	2,500	600	1,900
Contracted services	61,470	61,470	-
Total Fire Protection	63,970	62,070	1,900
Ambulance:			
Miscellaneous	480	440	40
Contracted services	40,000	34,848	5,152
Total Ambulance	40,480	35,288	5,192
Highways & Streets:			
Repairs & maintenance	190,499	113,922	76,577
Drains at large	322	322	-

TOWNSHIP OF VASSAR
Schedule of General Fund Expenditures
Year Ended June 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
(Continued)			
Planning & Zoning:			
Salaries & per diem	\$ 11,000	\$ 8,740	\$ 2,260
Mileage	300	-	300
Operating supplies	1,200	227	973
Miscellaneous	3,050	-	3,050
Total Planning & Zoning	<u>15,550</u>	<u>8,967</u>	<u>6,583</u>
Cemetery	<u>200</u>	<u>100</u>	<u>100</u>
Parks & Recreation:	<u>1,980</u>	<u>1,900</u>	<u>80</u>
Payroll Taxes	<u>5,500</u>	<u>4,846</u>	<u>654</u>
Insurance	<u>7,953</u>	<u>7,855</u>	<u>98</u>
Tuscola County EDC	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Miscellaneous	<u>3,700</u>	<u>2,571</u>	<u>1,129</u>
TOTAL EXPENDITURES	<u><u>\$ 541,850</u></u>	<u><u>\$ 413,335</u></u>	<u><u>\$ 128,515</u></u>

See the accompanying notes.

TOWNSHIP OF VASSAR
Schedule of Revenues, Expenditures
& Changes in Fund Balance - Refuse Fund
For the Year Ended June 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Special Assessment		\$ 138,251	
Interest		1,984	
TOTAL REVENUES	<u>\$ 138,251</u>	<u>140,235</u>	<u>\$ 1,984</u>
EXPENDITURES	138,251	125,728	12,523
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>14,507</u>	<u>14,507</u>
FUND BALANCE - JULY 1	<u>142,279</u>	<u>142,279</u>	
FUND BALANCE - JUNE 30	<u>\$ 142,279</u>	<u>\$ 156,786</u>	<u>\$ 14,507</u>

See the accompanying notes.

TOWNSHIP OF VASSAR
Schedule of Changes in Assets & Liabilities -
Current Tax Collection Fund
Year Ended June 30, 2005

	<u>BALANCE</u> <u>7/1/2004</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>6/30/2005</u>
<u>ASSETS</u>				
Cash in bank	\$ 5,254	\$ 1,604,797	\$ 1,606,449	\$ 3,602
TOTAL ASSETS	<u>\$ 5,254</u>	<u>\$ 1,604,797</u>	<u>\$ 1,606,449</u>	<u>\$ 3,602</u>
<u>LIABILITIES</u>				
Due to other funds	\$ 2,111	\$ 227,170	\$ 227,821	\$ 2,762
Due to other governmental units	3,143	1,379,279	1,376,976	840
TOTAL LIABILITIES	<u>\$ 5,254</u>	<u>\$ 1,606,449</u>	<u>\$ 1,604,797</u>	<u>\$ 3,602</u>

See the accompanying notes.